very adversely affected the senior citizens and pensioners much against his hopes that they would offer relief and respite;

(b) if so, Government's reaction thereto; and

(c) steps proposed to be taken in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Representations have been received stating that the tax structure proposed in the Finance Bill, 2005 has adversely affected the interests of the senior citizens and the pensioners.

(b) and (c) The Finance Minister has expressed the commitment of the Government to address these issues. The Government's response shall be reflected in the Government amendments to the Finance Bill, 2005.

FDI in Insurance Sector

2818. DR. AKHILESH DAS:
SHRIMATI PREMA CARIAPPA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Standing Committee of Parliament of Finance had unanimously recommended Foreign Direct Investment of not more than 26 per cent in the Insurance sector; and

(b) if so, whether Government has decided to raise the FDI cap in insurance sector to 49 per cent and if so the reasons for hiking the FDI cap?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PAUVNIMANICKAM) : (a) Yes, Sir. The Standing Committee of Parliament on Finance in its report on Insurance Regulatory Authority Bill, 1998 submitted on 16th March, 1998 had recommended foreign direct investment (FDI) of net more than 26 per cent in an Indian insurance company.

(b) The insurance companies periodically require additional capital for growth of business. Indian promoters, at times due to financial constraints are not in a position to contribute additional capital proportionate to their share-holdings. Therefore, in the Budget Speech of 2004-05, an announcement was made for the increase in the Foreign Direct Investment (FDI) from 26% to 49%. However, no legislative proposal has been finalized so far.